

REBUTTAL TESTIMONY

OF

JOY NICDAO-CUYUGAN

SPECIAL ASSISTANT TO THE ACTING MANAGER

TELECOMMUNICATIONS DIVISION
ILLINOIS COMMERCE COMMISSION

AMERITECH ILLINOIS
DOCKET NO. 98-0252/0335 (Consol.)

JANUARY 2001

1 **Q. Please state your name and business address.**

2 A. My name is Joy Nicdao-Cuyugan. My business address is 160 North LaSalle, Suite
3 C-800, Chicago, Illinois 60601-3104.

4 **Q. Are you the same Joy Nicdao-Cuyugan who previously testified in this**
5 **proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my testimony is to respond to the rebuttal testimony of Ameritech
9 Illinois (AI or the Company) witness Dr. William Avera.

10

11 **Q. Please summarize your understanding of Dr. Avera's rebuttal testimony.**

12 A. Dr. Avera believes that Staff's proposed changes to AI's alternative regulation plan
13 are modest and may not impose additional risk to the Company. He also takes
14 issue with my criticism of the basis of his conclusion that AI's past earnings are
15 considered reasonable by investors.

16

17 **Q. Should the Commission be concerned that approving Staff's proposed**
18 **changes to the alternative regulation plan will result in Dr. Avera's concern**
19 **of investor reluctance to provide AI with needed capital?**

20 A. No, it should not. As Dr. Avera himself indicates, Staff's proposed changes to the
21 alternative regulation plan do not impose additional risk to the Company.¹

¹ Ameritech Illinois Ex. 8.1, p.6.

Given the Company's current strong financial condition, as reflected in its investment grade credit ratings, the Company can be expected to continue its reasonable access to the capital markets under Staff's proposal.²

Q. Dr. Avera implies that you applied the standard for reasonableness used for "allowed rates" in a traditional rate case to "earned returns" in an alternative regulatory plan. Is he correct?³

A. No, he is not. It is precisely the absence of a standard in evaluating the reasonableness of earned returns that is so disturbing about Dr. Avera's claim that AI's past earnings are reasonable. His response is to judge the reasonableness of AI's returns from an investor perspective. However, this one-sided response fails to consider the customer perspective. Nonetheless, since Staff's proposal is not contingent upon AI's past earnings, the reasonableness or unreasonableness of AI's past earnings is irrelevant to Staff's case.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

² ICC Staff Ex. 12, p. 5.

³ Ameritech Illinois Ex. 8.1, pp. 1-2.